

Annual Report for 2014

Stockholm International Peace Research Institute
Organization no. 802006-2660

(Unofficial English version)

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Stockholm International Peace Research Institute

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The mandate of the Foundation

Stockholm International Peace Research Institute (SIPRI) was established on 1 July 1966.

According to paragraph 2 of the Foundation's statutes:

'In accordance with the guidelines for the allocation of funds which the Swedish Parliament has approved in pursuance to Government Bills 1966:76 and 1979/80:106, the purpose of the Foundation is to conduct scientific research on questions of conflict and co-operation of importance for international peace and security, with the aim of contributing to an understanding of the conditions for peaceful solutions of international conflicts and for a stable peace.'

SIPRI Governing Board in 2014

Chairman

Mr Göran Lennmarker, *Sweden* (until 30 June 2014)

Ambassador Jayantha Dhanapala, *Sri Lanka* (acting 1 July – 31 August 2014)

Ambassador Sven-Olof Petersson, *Sweden* (from 1 September 2014)

Members

Professor Dewi Fortuna Anwar, *Indonesia*

Dr Vladimir Baranovsky, *Russia*

Ambassador Lakhdar Brahimi, *Algeria*

Ambassador Jayantha Dhanapala, *Sri Lanka*

Ambassador Wolfgang Ischinger, *Germany*

Professor Mary Kaldor, *United Kingdom*

The Director

Governing Board meeting, 2014

The annual Governing Board meeting was held on 12-13 May 2014.



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Director and Deputy Director, 2014

Professor Tilman Brück, *Germany*, Director until 30 June 2014

Dr Ian Anthony, *United Kingdom*, Director ad interim from 1 July 2014

Mr Jakob Hallgren, *Sweden*, Deputy Director

Auditors

Appointed by the government for the period 2014–18:

Mr Daniel Nilsson, *Sweden*, Desk Officer, Swedish Ministry for Foreign Affairs

Mr Ove Olsson, *Sweden*, Chartered Accountant, BDO Nordic Stockholm AB

Director's Annual Report 2014

Overview

In 2014 Sweden commemorated 200 years of unbroken peace. 50 years have thus passed since the initiative to create SIPRI was taken by the Swedish government in 1964, which allowed the Institute to open in 1966.

While SIPRI has a year to go until it celebrates its first 50 years in 2016, in 2014 it continued to prove that over these years it has established itself as one of the world's leading research institutes focusing on international conflict, peace, security and development as well as armaments and disarmament. This was recognized in the global ranking of research institutes carried out by the University of Pennsylvania, which in 2014 once again placed SIPRI in the top echelon, this time as the fifth most influential think tank in the world in all categories—a position that we are very proud of.

One important reason for this success is our commitment to providing transparent and reliable information through our globally unique databases, which are often the foundation of our analysis and expert comments. Another reason is the broad and holistic scope of SIPRI's research into issues related to peace and security, including areas of research as varied as arms production,



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dual-use and arms export controls, maritime security in East Asia, governance in the Arctic, civil society participation in peace processes and violence against health workers in fragile states. A third reason is our systematic investment in dissemination and outreach through our publications and events, through our website and social media presence, through our global dissemination networks, and through our presence in traditional broadcast and print media. However none of this would have been possible without our hard working and dedicated researchers and the excellent work of our support staff across the administration, finance, IT, communications, the library and the editorial and publications departments.

The year 2014 was marked by leadership transition at SIPRI. Professor Tilman Brück stepped down from his role as Director in order to devote more time to his research. We are grateful to Tilman for his contributions to SIPRI and wish him well in his new endeavours. I was asked by the Governing Board to assume the role of interim Director until the appointment of a new Director – a duty that I accepted with humility and respect for this renowned Institute.

Research

In 2014 SIPRI continued to produce balanced and accurate research in the thematic areas in which it is well-known, including international security, armed conflict, conflict management, peace operations, military expenditure, arms production, international arms transfers, dual-use and arms trade controls, non-proliferation, and arms control and disarmament.

While the SIPRI North America office, with its related research, unfortunately was phased out, the research on China and Global Security continued to thrive, not least thanks to the SIPRI presence in Beijing. Moreover the Sida sponsored project (initiated in 2013 with aim of strengthening civil society's contributions to the Malian peace process) started to produce interesting and relevant results and research findings.

A new addition to our research agenda was the launch of a European Security Programme, an area of research that SIPRI has covered in various ways over

time but not as a separate programme in the last few years. The programme officially began its activities with a round table event at the Munich Security Conference in February 2014. The objective is to develop an innovative agenda that encompasses a broad range of issues relevant to European security, as illustrated by the EU ambition to apply comprehensive approaches to international challenges.

The Security and Development Programme, which was initiated in late 2013, immediately gained prominence as SIPRI hosted the successful inaugural “Stockholm Forum on Security and Development” in late March 2014. The programme, for which we owe the Swedish Ministry for Foreign Affairs enormous thanks for its funding, develops cutting edge research that is examining the links between socio-economic development, conflict, peace and security. This programme also includes research projects on Kyrgyzstan that focus on the micro-foundations of development, fragility and security. We hope that the findings of these will be able to provide us with generic lessons about peace building at the grass roots level in fragile and conflict-affected countries.

Other exciting research projects that started during the year were a two year EU funded project studying possible ways to promote peace building in the Caucasus, and a one-year, Sida sponsored, feasibility study on conditions for private sector development in Afghanistan.

In 2014 we also made an important re-organisation and appointment in one of SIPRI’s signature research areas, namely the databases on arms production, arms transfers and military expenditure. As Dr Paul Holtom had left SIPRI late in 2013 after eight years of distinguished service as the Programme Director for the Arms Transfers Programme, and as Dr Sam Perlo-Freeman chose to step down from the position as a Programme Director for the Military Expenditure Programme to become Head of the Military Expenditure Project, Dr Aude Emmanuelle Fleurant, formerly at IRSEM in Paris, was recruited to lead the newly created SIPRI Arms and Military Expenditure Programme (AMEX). We are honoured and delighted to have been able to attract Aude to SIPRI and pleased to see her lead a programme that include these world class databases.



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We are convinced that important synergies and exciting research opportunities will stem from hosting these in one single programme.

Publications

SIPRI published 24 titles in 2014, including 8 on behalf of the European Union Non-Proliferation Consortium. Formats, issues and titles varied. Most importantly we issued the *SIPRI Yearbook 2014*, our flagship publication. It serves as the most trusted and respected, single authoritative and independent source on armaments, disarmament and international security. Full translations of the SIPRI Yearbook were also published in Arabic, Chinese, Russian and Ukrainian, and summaries were issued in Catalan, Dutch, English, French, German, Italian, Spanish and Swedish, all representing the global appeal of the Yearbook and the core work of SIPRI.

The Yearbook is published through the Oxford University Press (OUP), a world leading publishing house, especially in the field of international relations. The Yearbook is also now available online. Among our other publications, one policy brief treated 'Peacekeepers at risk: the lethality of peace operations', a policy paper covered 'Protecting China's Overseas Interests: The Slow Shift away from Non-interference', and two monographs were published by OUP on 'Arms Industry Transformation and Integration: The Choices of East Central Europe' and 'Security Activities of External Actors in Africa'.

Media and outreach

In 2014 the Institute maintained its established level of outreach and communication activities with a continuation of public events, targeted mailings and campaigns, especially with further emphasis and development of the Institute's social media presence. At the end of 2014, SIPRI counted more than 15 600 followers on Twitter and more than 10 000 on Facebook. A special emphasis was placed on increasing our on-site presence in key cities for the SIPRI Yearbook data launches. For example, the SIPRI data on international arms transfers was simultaneously presented in Paris and Stockholm, and the SIPRI data on the top 100 arms-producing companies was simultaneously

presented in both Munich and Stockholm (earlier in the year, see below) and in Brussels and Stockholm (later in the year).

Key media launches in 2014 included:

- the launch of the SIPRI Top 100 arms-producing companies at a press conference in February at the Munich Security Conference;
- the launch of the SIPRI arms transfers data in March, which reached more than 1 100 media outlets;
- the launch of SIPRI's military expenditure data in April, which reached more than 1 600 media outlets;
- the launch of the SIPRI nuclear forces data in June, which reached more than 600 media outlets; and
- the launch of the top 100 arms-producing companies in December 2014 for 2013 figures, which reached more than 1 200 media outlets. This was the first time ever that we were able to launch these figures less than 12 months after the year the statistics covered – an ambition we would like to turn into a tradition.

SIPRI has furthermore continued to develop its 'expert comments' with on average one per month. Especially relevant topics included 'The implications of the Ebola outbreak for public health and security', as well as several pieces related to the developments in the Ukraine conflict.

During 2014 SIPRI was quoted in more than 13 000 media outlets in more than 130 countries, and the estimated total readership of SIPRI's media outlets was estimated to be more than 100 million people.

Key public SIPRI events in Stockholm in 2014 included: a panel discussion in January in cooperation with the Swedish Riksdag, with the Speaker of the Riksdag and SIPRI researchers reflecting on the lessons for the world of 200 years of unbroken Swedish peace; a panel discussion in April on the Nuclear-Test-Ban Treaty co-hosted with the Swedish Institute for International Affairs (UI) in cooperation with the Swedish Ministry for Foreign Affairs, with H.E. Kevin Rudd, Hans Blix and Lassina Zerbo; an all-day event on Nuclear Security in cooperation with the Dutch Embassy in Stockholm ahead of the Nuclear



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Security Summit in The Hague in April, and a public lecture at SIPRI by the Armenian Foreign Minister H.E. Eduard Nalbandian in November. However the most notable SIPRI Stockholm event in 2014 was the March ‘Stockholm Forum on Security and Development’, which hosted over 220 participants during two days and featured as key note speakers Ms Hillevi Engström, Swedish Minister for Development Cooperation, Ms Emilia Peres, Finance Minister of Timor Leste and Mr Pekka Haavisto, Finland’s Minister for International Development. The event was arranged in cooperation with the Swedish Ministry for Foreign Affairs.

Finance and administration

With regard to SIPRI’s finances, 2014 was another challenging year. A dip in fundraising connected with the transition in the senior management of the Institute created another negative result in 2014 with a deficit of 808 274 SEK, albeit significantly smaller than the 1 538 525 SEK deficit incurred in 2013. The residual effects of the restructuring measures that took place in 2013 also added to the negative result. Still the dynamics of the quarterly results throughout 2014 make us optimistic for the years to come.

The other piece of good news is that the overall turnover for 2014 stayed on par with levels in the last few years, and totalled almost 53 885 755 SEK. This means that the proportion of external grants to overall turnover of SIPRI remained at almost 54 per cent and that the external funding income remains a stable pillar of the Institute’s finances. But without the un-earmarked and generous core grant from the Swedish government SIPRI would not have been able to sustain its important mission.

We also continued discussions in the Governing Board, as well as with external stakeholders, to explore options to broaden our core donor base to private donors in Sweden, and beyond, in order to continue to diversify SIPRI’s income. This is a long process where important foundations were laid in 2014 that will hopefully bear fruit in 2015.

Another important development during 2014 was the start of negotiations with trade unions regarding the status of research staff hired on fixed-term contracts. The hitherto collective agreements were terminated in 2014, and these negotiations are being conducted with a view to agreeing a workable collective agreement that addresses the needs of staff and the Institute.

Finally, the discussions with the landlord regarding a renovation of the main premises at Frösunda in Solna continued in 2014. A decision to stay in these premises, subject to a final decision based on the detailed terms of the draft contract with the landlord, was taken by the Governing Board in 2014. The renovation of the premises and the temporary evacuation of staff are scheduled for the second half of 2015, beginning in June 2015. This will, if all goes well, mean that SIPRI will move in to newly renovated premises in late 2015.

Governance

SIPRI continues to benefit from strong leadership through its Governing Board. The interactions of the Institute with all Governing Board members have been intense during the year and their vision and support have enabled the Institute to maintain and strengthen its standing in the world.

In June 2014 Mr Göran Lennmarker resigned from his role as the Chairman of the Governing Board after almost four and half years of service. Ambassador Jayantha Dhanapala kindly agreed to step in as the Acting Chairman until Ambassador Sven-Olof Petersson officially began his duties as the 12th SIPRI Chairman in September 2014.

I would like to take this opportunity to pay tribute to Göran's invaluable contributions to SIPRI during his years as Chairman of the Governing Board. I would moreover like to thank Jayantha for assuming the Chairmanship in the transition period in July and August 2014. Finally I would like to once again warmly welcome Sven-Olof as the new Chairman. Sven-Olof comes with long and distinguished international experience and several prominent appointments in the Swedish foreign service. This is no doubt a huge asset for SIPRI and we are thankful to him for having accepted this assignment.



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Outlook

In summary, SIPRI continued in 2014 to serve global audiences with well-respected, unbiased and authoritative research in ways that re-confirmed our position as a world leading research institute focusing on international peace and security. I believe that, as the complex interplay between countries, societies, regions, corporations, cities and human beings, continues to impact on the world and international relations in ways that are both sudden and unpredictable, the need for SIPRI's output is greater than ever. It is with this conviction—that we must cultivate our strengths but also continue to adapt to a constantly changing world—that we approach our 50th anniversary in 2016.

Dr Ian Anthony

Director ad interim.

13 February 2015

Income and assets comparison, 2010–2014

All figures in SEK

	2014	2013	2012	2011	2010
Net income	53 885 755	51 936 072	53 654 560	50 699 152	47 039 593
Operating profit	-808 274	-1 589 363	253 269	2 781 081	2 192 588
<i>Operation (%)</i>	<i>-1.5</i>	<i>-3.1</i>	<i>0.5</i>	<i>5.5</i>	<i>0.05</i>
Total assets	21 422 708	21 610 381	27 744 693	24 976 386	19 986 386
<i>Cash ratio (%)</i>	<i>124.0</i>	<i>128.8</i>	<i>130.4</i>	<i>134.2</i>	<i>121.9</i>

Distribution of earnings

Proposal distribution of earnings

To the Assembly's disposal	5 032 027
Earnings	-808 274
	4 223 753
The Board proposes to be carried forward:	
	-808 274
	-808 274

Regarding the association's results and financial position, refer to the following financial statements and related disclosures.

Income and expenditure account

	Note	01/01/14	01/01/13
		31/12/14	31/12/13
Operating income			
Net income	1	53 885 755	51 936 072
		53 885 755	51 936 072
Operating expenses			
Direct external costs	3	-13 288 317	-12 196 039
Other external costs	2,3	-9 932 258	-9 903 335
Staff costs	4	-31 786 491	-31 585 156
Depreciation and amortization of tangible and intangible fixed assets		-127 367	-168 796
Other operating costs		-37 290	
		-55 171 723	-53 853 326
Operating income		-1 285 968	-1 917 254
Income from financial items			
Financial income	5	479 727	330 182
Other interest receivable and similar income		-2 033	-2 291
		477 694	327 892
Profit after financial items		-808 274	-1 589 362
Change in capital this year		-808 274	-1 589 362

Balance sheet

	31/12/14	31/12/13
ASSETS		
Tangible fixed assets		
Equipment	90 517	255 174
	<hr/>	<hr/>
Total fixed assets	90 517	255 174
Current assets		
Current receivables		
Accounts receivable	977 897	0
Current tax	48 992	11 371
Other short term claims	14 357	5 101
Prepaid expenses and accrued income	1 126 628	1 073 547
	<hr/>	<hr/>
	2 167 874	1 090 019
Cash and bank balances		
Cash at bank and in hands	19 164 316	20 265 188
Total cash and cash equivalents	19 164 316	20 265 188
Total current assets	21 332 191	21 355 207
Total assets	21 422 708	21 610 381



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Equity and Liabilities

Equity

Balance forward	5 032 027	6 621 390
Change in capital	-808 274	-1 589 363
Total equity	4 223 753	5 032 027

Current liabilities

Accounts payable	2 561 988	1 392 781
Unused Grants	11 089 460	12 096 395
Other short term liabilities	718 952	867 185
Accrued expenses and prepaid income	2 828 556	2 221 993
Total current liabilities	17 198 956	16 578 354

TOTAL EQUITY AND LIABILITIES **21 422 708** **21 610 381**

Pledged securities and liabilities none

Contingent liabilities none



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Additional Information

General Information

Accounting principles

The annual report was first prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1. SIPRI has previously applied the Annual Accounts Act and the Swedish Accounting Standards Board. The transition to the K3 has not led to any changes in accounting principles.

Valuation Principles

Receivables

Receivables are recognized at the amounts expected to be received.

Other assets, provisions and liabilities

Other assets, provisions and liabilities are valued at cost unless otherwise stated below.

Revenue Recognition

The income is recognized at the fair value of the consideration received or receivable. A conditional contribution is a contribution made subject to conditions that involve a repayment obligation if the condition is not met. Conditional grants as liabilities until the costs allowance to cover arise.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. The useful life is reviewed at each reporting date. The following useful lives are applied: Assets are depreciated over their estimated useful lives except land which is not depreciated.



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Leases

Operating leases are expensed on a straight-line basis over the lease ter

Employee Benefits

Pensions

Defined contribution pension plans

Fees for defined contribution pension plans are expensed as incurred. All of SIPRI's pension plans are defined contribution plans.

Receivables and liabilities in foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted at the closing rate.

Exchange differences arising on the settlement or translation of monetary items are recognized in the income statement of the financial year in which they arise, as either an operating or a financial item based on the underlying business event.

Public funding

Public contributions are valued at the fair value of the asset that the company has received or will receive.

Government subsidies are not linked to demands for future achievement, known as unconditional grants, recognized when the conditions for the grant met, that is usually associated with the grant is received. Government subsidies associated with the requirement of future performance, so-called conditional grants, a liability when the grant will be received and recognized as income then when the performance is.

Notes to financial statement

Note 1 Net income	2014	2013
Grant from Swedish Government	24 431 000	24 397 000
Grant from other funders	29 226 646	27 126 492
Royalties and sales	134 040	115 014
Other	94 069	297 566
	<hr/> 53 885 755	<hr/> 51 936 072
Used project grants	2014	2013
Swedish Government agencies	12 516 509	6 224 047
Other Government	3 446 064	8 074 253
Private research foundations	2 711 949	76 950
EU and EU governments	5 930 315	8 449 548
UN and other international organizations	3 079 042	3 823 427
Other Government	1 542 767	478 267
	<hr/> 29 226 646	<hr/> 27 126 492
Note 2 Lease-Operational lease the lessee	2014	2013
During the year, the association's lease payments amounted to	4 171 206	4 171 206
Future minimum lease payments under non-cancellable leases, mature as follows:		
Within 1 year	3 777 536	3777536
Between 2 to 5 years	393 670	393670
Later than 5 years	0	0
	<hr/> 4 171 206	<hr/> 4 171 206

Note 3 Other external expenses

	2014	2013
Project costs for funded	13 288 317	12 196 039
Administrative costs	9 932 258	9 903 335
	<hr/> 23 220 575	<hr/> 22 099 374

Note 4 Staff

2014

2013

Average number of employees

The average number of employees is based on the association paid

Attendance Hours relation to normal working hours.

Average number of employees 2014 has been:	47	51
of which women	22	23
which men	25	28

Among them were 18 (15) different nationalities represented
Research Staff were 33 (34) people

The total sickness absence for 2014 amounted to 912.40 (1 712) hours, 0.94% (1.63%) of the total number of hours worked.

Sick leave in relation to the total number of hours worked amounted to 1.36% (2.5%) for men and 0.57% (0.94%) for men.

For Foreign competitors contracted research staff paid tax-free benefits under the Income Tax Act.

For permanent employees as well as the Director-refundable fee of government service.

Salaries, benefits, etc.

Salaries, benefits, social costs and pension costs were paid the following amounts:

All employees:

	2014	2013
Salaries and benefits	15 864 277	16 941 928
Pension costs	1 354 762	1 538 525
	<hr/> 17 219 039	<hr/> 18 480 453
Social costs	5 777 613	5 589 069
	<hr/> 22 996 652	<hr/> 24 069 522

Gender distribution of board and management

Number of board member	8	8
of which women	2	2
which men	6	6
Number of other executives	3	3
of which women	1	1
which men	2	2

Note 5 Other interest receivable and similar income

	2014	2013
Interest	107 807	228 624
Exchange differences	371 920	101 559
	<hr/> 479 727	<hr/> 330 183

Note 6 Machinery and other technical facilities

	31/12/14	31/12/13
Opening cost	518 350	307 081
Investments for the year		235 207
Sales / disposals	-55 935	-23 938
Accumulated acquisition values	462 415	518 350
Depreciation	-263 177	-102 360
Sales / disposals	18 645	7 980
Depreciation of the year 2014	-127 367	-168 796
Accumulated depreciation	-371 898	-263 177
Total carrying value	90 517	255 174



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Solna

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